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3) Prime Minister's Official Residence (Kantei)

Prime Minister's schedule, February 21

08:31

Attended cabinet meeting in the Diet building. After the meeting, met with Foreign Minister Aso, followed by Internal Affairs and Communications Minister Takenaka.

09:16

Arrived at Kantei.

10:51

Met Yuzo Seto, advisor to Asahi Breweries, who chairs the Japan-Korea Economic Association.

17:01

Met with German Foreign Minister Steinmeier, joined by the Foreign Ministry's Deputy Foreign Vice-Minister for Foreign Policy Kono.

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19:02

Met commentator Naoki Tanaka, Toyota Motor Chairman Hiroshi Okuda, and Canon President Fujio Miterai at Garden Court in Hotel New Otani.

20:50

Returned to his official residence.

4) Future of Futenma relocation plan still murky; LDP lawmakers from Okinawa call for changes to relocation plan; Japan may be asked to bear cost for building power plant in Guam

SANKEI (Page 5) (Abridged slightly)
February 22, 2006

Based on the concurrence of Nago, the relocation site for the US Marine Corps' Futenma Air Station, a group of Liberal Democratic Party (LDP) lawmakers from Okinawa urged the government yesterday to make changes to a plan to relocate the Futenma Air Station in Ginowan, Okinawa Prefecture, as part of the planned realignment of US forces in Japan. The government also pins hopes on the lawmakers to serve as mediators between the central government and local areas to restart talks. It is unknown however if revision talks will become reality. Japan might end up bearing the cost for building a power plant in relocating the US Marines from Okinawa to Guam. The future of the planned Futenma relocation is still unpredictable.

Five LDP lawmakers, including Chiken Kakazu, visited yesterday the Prime Minister's Official Residence, Defense Agency, and Foreign Ministry, to urge them to revise the plan to relocate Futenma Air Station to the coastline of Camp Schwab in Nago and other municipalities. Specifically, they are believed to have asked the government to move the planned runway 1 kilometer further offshore to remove it from Nago's residential areas, based on the city's consent.

As seen in the Futenma relocation plan, the government's effort centering on the Defense Agency to persuade local areas has hit rocky ground. Nago Mayor Yoshikazu Shimabukuro remains adamant not to discuss the Futenma relocation issue with the government unless it makes changes to the plan. The Defense Agency remains at odds with Nago. "In order to deal properly with the issue, we need to learn of (local views)," Defense Agency Administrative Vice Minister Takemasa Moriya said.

The group of LDP lawmakers, including Kakazu, fears that if the government launches relocation construction work without local consent, they would be forced to oppose the relocation. This prompted them to take action. "If we supported the relocation plan, that would conflict with Nago's consensus," Kakazu noted.

The Defense Agency is reluctant to make any changes to the

relocation plan. But because the coastal plan is designed to allow aircraft to fly over residential areas, some Foreign Ministry officials think a revision is worth considering. US Ambassador to Japan Thomas Schieffer has also revealed a flexible stance about making changes, saying, "If there are better plans, we are obliged to lend an ear to them."

But even if the plan was revised, there is no knowing if Okinawa Gov. Keiichi Inamine would accept it. His stance remains the

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largest variable for the government.

In addition, the government will be soon pressed for a political decision on Japan's share of the expenses for the planned relocation of the US Marines from Okinawa to Guam, the focus in Japan-US deputy director-level talks.

The US has presented to Japan an estimate of 7.6 billion dollars (900 billion yen) for the planned relocation. The US has also asked Japan to bear over 50% of that amount. The US may also ask Japan to bear the cost for building a power plant in Guam, citing aging US base facilities and a chronic shortage of power there. The government is being pressed to fathom the security significance that strengthening base functions in Guam will contribute to Japan's deterrence and limits to the understanding of the public.

5) Gulf between government, Okinawa over Futenma relocation remains wide, as Diet members hailing from prefecture seek revisions in plan; Consideration of development package also broached

YOMIURI (Page 4) (Excerpt)
February 22, 2006

The gulf is further widening between the central government and Okinawa Prefecture over the issue of relocating the US Marine Corps' Futenma Air Station (Ginowan City) to the coastal portion of Camp Schwab -- a key element in the realignment of US forces in Japan. With the prefecture and local governments on Okinawa heightening their opposition to the plan, the central government has refused to consider any alteration of it. The government also is not moving ahead with its study of a new package of economic vitalization measures, as well.

On Feb. 21, a delegation of Liberal Democratic Party (LDP) lawmakers hailing from Okinawa and led by Masaji Nakamura visited the Prime Minister's Official Residence, paying a call of Chief Cabinet Secretary Shinzo Abe. They sought his concurrence for a revision of coastal plan at Camp Schwab, saying, "We cannot approve it." After the meeting, Abe told the press corps he had rejected their request, stating, "We must brief and persuade the local communities based on the interim report (of the Japanese and US governments that states the relocation will be to the coastal portion)."

6) Japanese, German foreign ministers confirm continuation of talks on UNSC reform

NIHON KEIZAI (Page 2) (Full)
February 22, 2006

Foreign Minister Taro Aso met yesterday with his German counterpart Frank-Walter Steinmeier in Tokyo. The two foreign ministers confirmed that Japan and Germany would continue talks on reform of the United Nations Security Council with the aim of realizing such by September, although there are differences in their policies, with Japan having come up with its own reform proposals.

The foreign ministers agreed to strengthen the solidarity of the international community for a peaceful settlement of Iran's

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nuclear issue. They also agreed to step up a government-private sector dialogue, which discusses such common issues as the falling birthrate and the graying society.

At a joint press conference, Aso stated, "We shared the view that UNSC reform is an urgent issue." The German foreign minister said categorically, "I would like to continue the talks in order also to resolve gaps in views (of the two countries)." Steinmeier also stated in a meeting with Prime Minister Junichiro Koizumi, which was held prior to the foreign ministerial, "Based on Japan's thinking, I hope that our countries will cooperate with each other."

7) METI Minister Nikai to hold talks with Chinese Premier Wen

ASAHI (Page 3) (Full)
February 22, 2006

Takashi Kamikuri, Beijing

The governments of Japan and China revealed yesterday that Japan's Economy, Trade and Industry Minister Toshihiro Nikai would meet with Chinese Premier Wen Jiabao in Beijing. It will be the first time for a Chinese leader to meet with a Japanese cabinet minister since Prime Minister Junichiro Koizumi visited Yasukuni Shrine last October.

Nikai, who arrived in Beijing last night, told reporters: "Japan and China have not only the Yasukuni issue but also other issues that must be overcome. I would like to hold a frank exchange of views on those issues."

During his stay in Beijing until Feb. 23, Nikai is expected to meet also with Chinese State Councilor Tang Jiaxuan, as well as Commerce Minister Bo Xilai to discuss on the issue of gas exploration in the East China Sea and trade issues.

8) LDP policy chief Nakagawa proposes probe into Sino-Japanese war with participation of other countries

ASAHI (Page 3) (Full)
February 22, 2006

Shinya Minamijima, Beijing

Liberal Democratic Party (LDP) Policy Research Council Chairman Hidenao Nakagawa, who is now visiting China, proposed a study of the Sino-Japanese war, letting other countries participate. He stated in a first meeting on Feb. 21 of the exchange council of the ruling parties of Japan and China: "I propose Japan and China initiate a joint study of the Sino-Japanese war. I welcome participation of historians from third countries if necessary."

Nakagawa also proposed: A conclusion of bilateral economic cooperation accord; promotion of cooperation on reform of the United Nations and North Korea issue; and active exchanges of young people of the two countries.

9) Trade with China in 2005 resets highest record for 7th straight year, but growth slows down

TOKYO SHIMBUN (Page 8) (Full)

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February 22, 2006

The value of trade between Japan and China in 2005 reset its highest level for the 7th consecutive year of rise, recording 189.3 billion dollars or approximately 22,337.4 billion yen, according to an estimate released yesterday by the Japan External Trade Organization (JETRO). Trade growth, though, slowed down to a 12.7% pace, compared with 30.4% in 2003 and 26.9% in 2002. Japan's trade deficit with China also hit a record high of 28.7 billion dollars or approximately 3,386.6 billion yen.

Exports to China increased 8.9% to 80.3 billion dollars or about 9,475.4 billion yen, given strong demand for image equipment parts, meanwhile exports of electronic components dropped, affected by inventory adjustment. Imports from China grew 15.7% to 109 billion dollars or about 12,862 billion yen, topping 100 billion dollars for the first time ever. The increase is attributable to brisk orders for personal computers and digital portable music equipment in the nation.

The anti-Japan demonstrations in China in 2005 and the about 2% cut in the value of the yuan "had no effect on trade between Japan and China," according to an official of the JETRO Overseas Research Department. JETRO expects trade between the two countries in 2006 will hit a record high for eight years in a row and exceed 200 billion dollars.

10) Foreign Ministry, Finance Ministry reached backroom deal to maintain vested interests in ODA reform

MAINICHI (Top Play) (Full)
February 22, 2006

The government has decided to unify the sections responsible for implementing the nation's official development assistance (ODA) policy into the Japan International Cooperation Agency (JICA) in its ODA reform plan. In this connection, the Ministry of Foreign Affairs (MOFA) and the Ministry of Finance (MOF) have reached a backroom deal for MOFA to have jurisdiction over JICA and for MOF to take charge of yen loans, the Mainichi Shimbun learned yesterday from a copy of the consensus document of the two ministries. Despite the government's decision to unify ODA functions under the control of MOFA, MOF will keep its authority over ODA policy.

Regarding the jurisdiction of JICA, into which the three ODA sections - yen loans, technical cooperation, and grant aid - will be integrated, the consensus document specifies: "The MOFA minister will continue to serve as competent minister, but the MOF minister will be in charge of financial affairs and accounting linked to yen loans." On lending for yen loans, too, the document suggests keeping the current system under which the MOFA, MOF and Economy, Trade and Industry Ministry (METI) ministers hold a discussion and make a decision, noting: "There will be no change in the current relations of authority set among the competent ministers under the Japan Bank of International Cooperation (JBIC) Law."

At present, MOF has control over JBIC, which takes charge of yen loans. The government has decided to abolish JBIC, but even after the yen-loan section is integrated into JICA, the Finance Ministry will continue to keep its authority over ODA yen-loan

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policy.

According to informed sources, Chief Cabinet Secretary Shinzo Abe discussed with the three relevant ministers on the morning of Feb. 17 and confirmed that their authority will be kept intact even after the three section are unified into JICA, in accordance with progress made in discussions at the government's "Study Group on Overseas Economic Cooperation."

Following this, MOFA and MOF administrative officials drafted a document. On the evening of Feb. 20, MOFA Administrative Vice Minister Shotaro Yachi and MOF Administrative Vice Minister Koichi Hosokawa confirmed it by the phone and then officially adopted it, according to the informed sources.

Given that the agreement was reached behind the scenes, MOFA Minister Taro Aso denied in a press conference yesterday the possibility that the ministry will continue to take control over ODA policy.

In ODA reforms, MOF and business leaders strongly resisted to the plan to dissolve JBIC, one official remarking: "A reduction in financing will inevitably undermine Japanese firms"

competitiveness on the international stage." Prime Minister Junichiro Koizumi was also overheard telling his aid: "The Finance Ministry has made a strong reaction. Government offices are very eager to protect their vested interests." Some observers point out that the intention of MOF has been reflected, in the end.

11) New JICA to come under MOFA's jurisdiction; Three ministries to supervise yen loans

ASAHI (Page 2) (Full)
February 22, 2006

The government and the ruling camp have decided to place the main body of the Japan International Cooperation Agency (JICA), which is to be reorganized, under the jurisdiction of the Ministry of Foreign Affairs (MOFA), and to have the Finance Ministry (MOF), MOFA and the Ministry of Economy, Trade and Industry (METI) jointly supervise yen loans to be integrated into JICA. As a result of the reorganization, JICA will become a comprehensive official development assistance (ODA) implementing organ in charge of yen loans which are to be transferred from the Japan Bank for International Cooperation (JBIC), now destined to be disbanded, and grant aid cooperation, currently under MOFA's jurisdiction, as well as technical cooperation, its original responsibility.

A plan to place JICA as a whole under the jurisdiction of the three ministries had been floated, but the Liberal Democratic Party (LDP) and members of other parties pointed out the need to maintain the efficacy of the integration of ODA functions. A settlement was, therefore, reached on the plan to place part of JICA's functions under the three ministries' jurisdiction.

MOFA has thus far been responsible for yen loans, acting as a vehicle for negotiations with the government regarding budget compilation and personnel changes, and made decisions in consultation with the MOF and METI. Vice Foreign Minister Shotaro Yachi and Administrative Vice Finance Minister Koichi Hosokawa

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yesterday discussed the issue and agreed that the two ministries should maintain their current authority over the yen loan function. A senior MOF official said, "The current mechanism will be maintained after the yen loan function has been integrated into JICA." A senior MOFA official noted, "The current authority system and structure will be shifted to the new JICA as is."

A plan to place the main body of the new JICA has been floated, because MOF has been a main government agency with jurisdiction over JBIC. However, the LDP, in a plan mapped out on Feb. 16, proposed that MOFA should be responsible for yen loans. The agreement reached by the vice ministers of MOFA and MOF are presumably aimed to avoid the confrontation of views between the government and the LDP.

The government will incorporate the establishment of the new JICA in an administrative reform promotion bill, which it intends to introduce during the current Diet session. The allocation of jurisdictions over detailed duties will be worked out in a businesslike manner, by revising the International Cooperation Organization Law, as Chief Cabinet Abe put it.

Various government agencies have been in charge of ODA functions. The aim of the reform of the ODA system is to integrate those ODA functions into an efficient single entity. Some government officials and members of the ruling parties are concerned that if the joint jurisdiction system covers as far as JICA's organization and personnel affairs, the meaning of the integration of ODA functions will be undermined."

12) Private panel reporting to Minister of Internal Affairs and Communications Takenaka unanimously agrees to review NTT Group with disbandment in mind; Aim is to constrain giant company's market control

SANKEI (Top Play) (Excerpts)
February 22, 2006

The Panel to Discuss the Proper Form of Communications and Broadcasting Businesses (chaired by Toyo University Professor Satoshi Matsubara), a private panel reporting to Minister of Internal Affairs and Communications Takenaka, during yesterday's meeting discussed the proper form of the communications industry. Panel members agreed to drastically review the organization of the NTT Group and its management system. The panel hopes to create a level playing field by constraining the group's overwhelming control of the market with a second reorganization of NTT through a revision of the NTT Law in mind. The development is extremely harsh for the NTT Group, which is now determined to further integrate the management of group firms.

The meeting suggested the possibility of separating NTT's R&D section and releasing its patents. Speaking to the press after the meeting, Matsubara categorically said, "It would be rational to place NTT's basic research section outside the group so that its achievements can be utilized by other industries as well."

Regarding a possible review of NTT's duty to provide universal landline service, a number of panel members noted that it was questionable whether universal service via copper wires will still be necessary by 2010, when a broadband-based communications system is expected to be mostly completed.

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Referring to the organization of NTT and its management, Matsubara stressed that panel members were unanimous in their belief that NTT should undergo a second reorganization, saying that when members were asked whether any of them thought the NTT Law should be kept in place as is, everyone was silent.

Members also expressed concern over the fact that the NTT Group continues to dominate the market, as can be seen by the fact that it holds more than 50% of shares in all communications areas, including landlines, cellular phones, and fiber-optic communications, despite new entrants into the market following liberalization in 1985.

Takenaka pointed out, "The primary issue is to promote competition policy and competition itself."

The panel appears to have doubts about the group's current setup in which NTT East and NTT West, regional providers, long-distance service NTT Communications, and cell-phone provider NTT DoCoMo all exist under a holding company, and the panel will likely consider completely separating the capital of the group companies or disbanding the group.

13) Minshuto (Democratic Party of Japan) President Maehara's responsibility now called into question over controversial "Horie e-mail"; Debate of party leaders today

SANKEI (Page 2) (Full)
February 22, 2006

Political maneuvering is continuing over the authenticity of the controversial "Horie e-mail" and is likely to enter a crucial stage with today's debate of party heads between Prime Minister Junichiro Koizumi and Minshuto head Seiji Maehara. Minshuto finds itself on the hot seat, coming under attack by the ruling coalition, which has insisted that the burden of proof lies with Minshuto. Some in Minshuto are beginning to blame Maehara. Can Minshuto dispel criticism emerging inside and outside of the party by presenting new information? Maehara's words and deeds will draw attention.

Yesterday afternoon, Maehara remained defiant, telling reporters in the Diet: "I believe (the e-mail) is highly credible. You can look forward to tomorrow's (Feb. 22) developments." He then indicated he would again demand that the ruling parties invoke the investigative powers that he thinks are necessary to provide

information on a bank that might have been used for the transfer of money.

These remarks hint at the possibility that Maehara will reveal new information during the party-head debate. Indeed, he has expressed his enthusiasm in this way: "There will be a significant impact on the Koizumi administration" and "I'll shed light on the shady relations (between the LDP and Takafumi Horie)." But in contrast to his enthusiasm, a mood of disquiet is growing in Minshuto.

Minshuto Upper House Diet Affairs Committee Chairperson Kenji Hirata said that if Maehara failed to prove the authenticity of the e-mail, he should take responsibility, noting: "It will be difficult to leave the matter blurry. I think it's only natural

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for the person who raised this to take responsibility. This is not a child's game." Many in Minshuto from the beginning have insisted that it would be difficult to prove the authenticity of the e-mail unless special investigative powers were invoked, according to a senior party member. Only a few party members, including Maehara, Diet Affairs Committee Chairperson Yoshihiko Noda, and Hisayasu Nagata, have been privy to the information, leaving other party members out of the loop. This situation is in part helping to intensify other party members' irritation. In fact, a conservative lawmaker who keeps his distance from Maehara said flatly: "I'd like to help him, but I can't, as no information is available to me."

Meanwhile, the LDP is stepping up its offensive against Minshuto. Secretary General Tsutomu Takebe criticized Minshuto at a press

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briefing yesterday: "Once Minshuto reveals the bank account's name and the account number, it will instantly become clear who is wrong. Why can't they do so?" Upper House Caucus Secretary General Toranosuke Katayama also said: "Minshuto should demonstrate that what it is saying is not simply slander or defamation before calling for special investigative powers to be invoked." These two veteran lawmakers strongly insisted that Minshuto has the responsibility to explain itself.

Prime Minister Koizumi recently challenged Minshuto by referring to "bogus information." When asked by reporters about the party-head debate, Koizumi said calmly: "I wonder what Mr. Maehara will say. After hearing his views, I'll answer."

14) Minshuto (Democratic Party of Japan) abandons plan to prove authenticity of controversial e-mail; Party leadership's responsibility now being questioned

YOMIURI (Page 2) (Full)
February 22, 2006

Minshuto yesterday in effect gave up pursuing the controversial e-mail that allegedly had been sent by former Livedoor President Takafumi Horie to the second son of Liberal Democratic Party (LDP) Secretary General Tsutomu Takebe, judging it difficult to prove its authenticity. Amid increasing criticism of Minshuto, party members are questioning the responsibility of its leadership, including President Seiji Maehara and Diet Affairs Committee Chairperson Yoshihiko Noda.

The LDP has come up with materials enough to cast doubts on the authenticity of the e-mail, for example, when the e-mail arrived, defendant Horie was on streets for Lower House election campaigning, but Minshuto remains unable to cite anything to rebut this. Given this, Minshuto has decided to focus its energies on pursuing the truth of the alleged financial assistance to Takebe's second son in the days ahead. A senior party member explained: "The question is not the authenticity of the email, but whether money was actually transferred to the second son's bank account." Party head Maehara said firmly to reporters yesterday: "I'd like to continue our call to invoke special investigative powers in national politics."

Meanwhile, some in the party are beginning to openly question the responsibility of the party executives. Meeting the press, Kenji Hirata, chair of the party's Upper House Diet Affairs Committee, referred to Maehara's attitude of placing full confidence in

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House of Representatives member Hisayasu Nagata who raised the controversial e-mail issue and touched on Maehara's responsibility, noting: "It's only natural that the person who has left the matter to someone, saying, 'I'll leave it in your hands,' should take responsibility." Satsuki Eda, chair of the party's Upper House Caucus, also implied at a party executive meeting yesterday that Noda was responsible, saying: "I'd like to see Noda take the leadership in tiding over this issue."

15) Declining population confirmed; Decrease of 4,361 in 2005, according to preliminary estimate

ASAHI (Page 2) (Abridged)
February 22, 2006

According to the Population and Vital Statistics of Japan for Dec. 2005, released yesterday by the Ministry of Health, Labor, and Welfare (MHLW), the nation's population in 2005, determined by subtracting the number of deaths from the number of births, dropped by 4,361. It has been confirmed that the population has moved into the negative column for the first time since the statistics were taken in the present form in 1899. The preliminary figure includes foreigners who live in Japan and Japanese who live abroad. Regarding Japanese who live in Japan, MHLW released an annual projection late last year, which forecast a fall of 10,000. It is now known that the margin of this fall will likely expand to around 20,000.

The number of births registered with municipalities throughout the country from Jan. through Dec. last year was 1,090,231 (down 4.2% from the previous year). The number of deaths registered was 1,094,598 (up 5.4% from the preceding year). Both the rates of decline and the decrease in the number of births and the increase in deaths for the year were larger than the ratios registered from Jan. through Oct., the base period for the annual projection. An official from MHLW said, "There is a possibility the severe winter has affected the statistics."

SCHIEFFER